



## Testimony of Denise L. Nappier Treasurer of the State of Connecticut

SUBMITTED TO THE GOVERNMENT ADMINISTRATION AND ELECTIONS COMMITTEE  
MARCH 19, 2010

Senator Slossberg, Representative Spallone, and members of the Government Administration and Elections Committee, thank you for the opportunity to offer testimony regarding **Raised Bill No. 5517, *An Act Concerning Ethics and the Office of the State Treasurer***.

We recommend revisions to Section 1-84(n) of the general statutes in order to forestall the potentially far-reaching negative impact of an advisory opinion issued by the Office of State Ethics (OSE) that could impair the Treasurer's ability to fulfill her contractual obligations involving billions of dollars of the State's assets. For this Committee's information, the Treasurer's Office worked with staff of the OSE in developing this language, and they are in full support of this bill's passage.

By way of background, the Office of State Ethics issued an advisory opinion in 2008 in which it concluded that where an individual who makes a lawful contribution to a campaign for state treasurer, and that person later becomes a principal of an investment services firm that does business with the state treasurer or marries a principal of such a firm, then the contribution made before becoming a principal would disqualify the firm from doing business with the Office of the Treasurer during the term of office for which the contribution was made. Simply put, the opinion effectively creates a retroactive application of a lawful campaign contribution, potentially damaging existing business relationships for the Office of the Treasurer by placing the Treasurer in the position of having to cancel valuable agreements or, worse, default on obligations to pay fees or contribute capital.

To more fully illustrate the magnitude of this problem take, for example, a person who contributes \$100 to the campaign of a treasurer. If that person later goes to work as a principal of an investment services firm, gets promoted to a principal position of an investment services firm, or even marries a principal of an investment services firm, then the Ethics' advisory opinion concludes that the Treasurer's ability to fulfill the obligations under existing contracts would be jeopardized -- even if a contract or long-term investment predates the contribution -- because the contribution made before that person became a principal would be attributed to the firm that the individual contributor later joined.

In issuing its opinion, the Citizens' Ethics Advisory Board recognized the risk of loss to the pension funds and also issued an order effectively grandfathering contributions made prior to its opinion, but stated that should the Office of the Treasurer find itself unable to enforce the new interpretation contractually, the General Assembly would need to offer further clarification. Furthermore, staff of the Office of State Ethics recognizes the awkward application of this retroactive sanction associated with a contribution that was legal at the time it was made. As such, we have worked together with them to fashion a legislative solution which would, we believe, accomplish three things:

- (1) Makes clear that a disqualifying contribution is made while a person is a principal of an investment services firm;

- (2) Includes language that codifies our existing administrative practice of requiring disclosure, under penalty of false statement, of any contributions made by its principals; and
- (3) Requires disclosure by individual contributors who later become principals directly to the Office of State Ethics of any contributions made.

Thank you for the opportunity to offer testimony in support of H.B. 5517. I urge your favorable consideration of this bill.